

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Periodic Reporting
(Proposal Two)

Docket No. RM2018-5

CHAIRMAN'S INFORMATION REQUEST NO. 4
AND NOTICE OF FILING UNDER SEAL

(Issued August 29, 2018)

To further assist the Commission in evaluating the Postal Service's petition to consider changes in analytical principles (Proposal Two), filed May 25, 2018,¹ responses to Chairman's Information Requests,² and Reply Comments,³ the Postal Service is asked to provide a written response to the following questions and requests for information. Answers to each question and the requested information should be provided as soon as they are developed, but no later than September 5, 2018.

1. The Postal Service states that the workbook filed with its Reply Comments, "demonstrates that CVs [coefficients of variations] from In-Office Cost System (IOCS)-Cluster are smaller than the current methodology for almost every cost

¹ Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Two), May 25, 2018 (Petition). The Postal Service filed a public and non-public annex with the Petition. See Notice of Filing of USPS-RM2018-5/1 and USPS-RM2018-5/NP1 and Application for Nonpublic Treatment, May 25, 2018; Notice of Filing of Replacement Version of USPS-RM2018-5/1 -- Errata, June 8, 2018; Notice of Filing of Replacement Version of USPS-RM2018-5/NP1 -- Errata, June 11, 2018.

² Responses of the United States Postal Service to Questions 1-19 of Chairman's Information Request No. 1, June 29, 2018 (Responses to CHIR No. 1), Responses of the United States Postal Service to Questions 1-8 of Chairman's Information Request No. 2, July 5, 2018 (Responses to CHIR No. 2), Responses of the United States Postal Service to Questions 1-11 of Chairman's Information Request No. 3, July 23, 2018 (Responses to CHIR No. 3).

³ Motion of the United States Postal Service for Leave to File Reply Comments Regarding Proposal Two, August 2, 2018 (Motion); Reply Comments of the United States Postal Service Regarding Proposal Two, August 2, 2018 (Postal Service Reply Comments).

estimate.”⁴ Postal Service Reply Comments at 1. Please provide the CVs and a similar comparison for each competitive product.

2. The Postal Service explains in its Reply Comments that “[a]n exception to the general decrease in CVs is the cost estimate for [total] street time, where there are far fewer readings in the afternoon in IOCS-Cluster.” *Id.* at 2. Further, the Postal Service states “no particular sample draw will (or can, for any sample size short of a census) be perfectly reflective of the carriers for the sampled zone, random selection ensures that the samples will not systematically over- or under-represent various characteristics of the carrier populations.” *Id.* at 3.
 - a. Based on the Commission’s preliminary analysis shown in Table 1 below, under the Proposal Two methodology, motorized letter route street time costs decrease by about \$225 million while walking letter routes street time costs increase by about \$214 million.⁵ Please explain the reason(s) why street time costs decrease on motorized letter routes and increase for walking letter routes to the magnitude that they do under the Proposal Two methodology.

⁴ See Library Reference USPS-RM2018-5/4, August 2, 2018, Excel file “CV_pub_ClusterComparison.xlsx,” column O.

⁵ “Walking” letter routes are defined as park and loop and foot routes (IOCS codes 71, 75, 78, 80, 83) and “motorized” letter routes are defined as curb and motorized routes (IOCS codes 73, 77, 82). See IOCS data dictionary in Docket No. ACR2017, Library Reference USPS-FY17-37, December 29, 2017, Excel file “IOCSDataDictionaryFY17.xlsx,” variable “F260.”

Table 1
Letter Route Street Time Cost by Type of Route-Current Methodology and
Proposal Two Methodology, FY 2017, Quarter Four and FY 2018, Quarter One
Combined

Type of Letter Route	Estimated Letter Route Street Time Cost \$ in thousands		Methodology Difference \$ in thousands
	Current Methodology	Proposal Two Methodology	
Walking	\$4,295,091	\$4,508,742	+\$213,651
Motorized	\$1,538,694	\$1,313,834	-\$224,860
Total	\$5,833,785	\$5,822,577	
Source: Commission analysis of SAS data sets provided in Library Reference USPS-RM2018-5/2, June 29, 2018, ZIP file "Prop2.ChIR1.Q1.Public.zip," folder "Prop2.ChIR1.Q1.Public.zip," SAS data sets "NCprcpub17Q4Prop5.sas7bdat," "NCprcpub18Q1Prop5.sas7bdat," and folder "IOCS-ClusterDataset_Public_ChIR1.zip," SAS dataset "CLprcpub17q418q1_ChIR1.sas7bdat."			

- b. Under the current methodology, the number of total city carrier readings by the Cost Ascertainment Group (CAG)-group, for the most part, aligns proportionally with total city carrier costs accrued in offices in that CAG-group.⁶ For example, CAG-group C offices have a higher total accrued city carrier cost and a higher total number of city carrier readings than the total accrued city carrier cost and number of readings sampled from CAG-group A and CAG-group B offices. Likewise, under the current methodology, CAG-group B offices have a higher total accrued city carrier cost and higher total number of city carrier readings than the total accrued city carrier cost and number of city carrier readings sampled from CAG-group A offices. However, under the Proposal Two methodology, the number of afternoon readings by CAG-level of the sampled office does not appear to align proportionally with total costs for the offices in that CAG-group, *i.e.*, readings in CAG-group A offices are more than double the

⁶ Commission analysis using the "heavy/light" weight to weight the readings. The exception is CAG-group E.

number of readings in CAG-group B and CAG-group C offices despite the lower amount of total city carrier cost accrued in CAG-group A offices.⁷

Does the Postal Service believe that if it were to increase and sample the number of afternoon city carrier readings more in proportion to office CAG-group total accrued city carrier costs, it would also obtain a similar magnitude (shown in Table 1) decrease in motorized letter route street time cost and increase in walking letter route street time cost? If so, please explain the reason(s) why. If not, please explain.

- c. Please explain the reason(s) why the number of afternoon readings under the Proposal Two methodology are not in proportion (by each office CAG-group, particularly for CAG-groups A, B, and C) to the magnitude of accrued total city carrier costs for offices in that CAG-group.
3. Please refer to the Proposal Two key elements described on pages 4 and 5 of the Petition.
- a. Please confirm that the proposed methodologies for morning tests for large and small zones (Sampling Modes 1 and 2) cannot be implemented unless the afternoon test methodology (Sampling Mode 3) is also implemented. If not, please explain the reason(s) why.
 - b. Is the ability to implement Sampling Mode 2 dependent on the implementation of Sampling Mode 1? If so, please explain how. If not, please explain the reason(s) why.
 - c. Can the Time and Attendance Collection System (TACS)⁸ data be used to provide control totals for the portion of supervisor costs incurred by employees whose base craft is carrier, but who have clocked as

⁷ See Responses to CHIR No. 1, question 5.b.

⁸ See *Publication 32- Glossary of Postal Terms*, available at https://about.usps.com/publications/pub32/pub32_terms.htm.

- supervisor without implementing Sampling Modes 1, 2, and 3? If so, please explain how. If not, please explain the reason(s) why.
- d. Is the development of control total costs for Sunday/Holiday from TACS hours and the distribution of costs using scanning data from Product Tracing and Reporting (PTR) dependent on the implementation of each of the Proposal Two components in a.-c. listed above? If yes, please explain how. If not, please explain the reason(s) why.
 - e. A number of the same test zones under the Proposal Two methodology are also sampled in the current methodology.⁹ Please explain whether increasing the number of on-site readings under the current methodology would result in a similar impact as Proposal Two, *i.e.*, an increase in the number of direct mail handling readings.
4. The Postal Service states that it is “following the Commission’s suggestion in Order No. 4399,” which it describes as “treat[ing] all carrier Sunday and holiday workhours as SPR even if clocked to letter routes or to supervisor MODS operation codes.”¹⁰
- a. Please confirm there is only one Management Operating Data System (MODS) operation code (782) for Delivery Services training. If not, please specify any other Delivery Services training MODS operation codes.
 - b. Please identify the “supervisor MODS operation codes” referenced.

⁹ Under the current methodology, the ZIP code of the routes were compared with the test zones under the Proposal Two methodology.

¹⁰ Postal Service Reply Comments, at 2 n.2, citing Docket No. RM2017-9, Order on Analytical Principles Used in Periodic Reporting (Proposal Five), February 6, 2018, at 18 (Order No. 4399).

5. The Glossary of Postal Terms states that an office CAG-level is based on the number of revenue units and that the revenue units are used to categorize post offices by size.¹¹
 - a. Please confirm that a revenue unit is the average revenue associated with 1,000 pieces of “revenue-generating” or originating mail or special services volume. *Id.* If not, please explain the meaning and type of mail considered for the 1,000 pieces of “revenue-generating” mail.
 - b. Please specify the number of revenue units for each CAG-group of the offices sampled in the IOCS.
6. Under the current methodology, total city carrier costs are highest to lowest in the following CAG-group of the sampled offices order: C, B, A, E, D, F, G, and H. If the amount of mail volume (given the number of revenue units) by CAG-level of office does not follow this same highest to lowest order, please explain the reason(s) why, *e.g.*, larger number of higher-paid city carriers, higher number of overtime workhours for offices in that CAG-group, etc.
7. Under the current methodology, the IOCS documentation states “all offices that were in CAG¹² A or CAG B prior to 1992 and remained in CAGs A or B are included in the sample. In each of the other CAGs, a panel of offices is used to represent the office frame.”¹³
 - a. Are all offices that were included in the current methodology also included in the Proposal Two methodology? If not, please explain the reason(s) why not.

¹¹ See *Publication 32- Glossary of Postal Terms*.

¹² See *Publication 32- Glossary of Postal Terms*.

¹³ Docket No. ACR2017, Library Reference USPS-FY17-37, file “USPS-FY17-37.Preface.pdf,”
at 3.

- b. In the SAS program “ALB106,” the cost-weighting finance number (IOCS variable “F263”) identifies readings in some offices as “IOCS CAG A CUST SERV” and some offices as “IOCS CAG A/B Plant.”¹⁴ Please explain completely the reason(s) for the distinction and describe how these two types of facilities differ and are similar.
- c. The Postal Service’s Reply Comments include a table showing accrued costs per morning tally. Postal Service Reply Comments at 7. For each column in the table, please provide the values for CAG A and CAG B separately for the “REG” and “SPR” route groups rather than combined in the “A/B” row.
- d. Under the Proposal Two methodology, the number of readings conducted in CAG B offices is much lower than the number conducted under the current methodology.¹⁵ Please explain the reason(s) why.
- e. Under the current methodology, some city carrier readings for FY 2018, Quarter One have more than one CAG identified depending on the IOCS-CAG related variable. For these readings, the “Payroll Data” (IOCS variable “F7”) and reporting CAG (IOCS variable “Rpt_CAG”) both indicate CAG A, while the cost-weighting CAG (IOCS variable “F264”) is identified as CAG B.¹⁶ In this example, please specify if the TACS workhours of the sampled city carriers are identified as workhours from CAG A or CAG B offices in the TACS. Please explain the reason(s) why the cost weighting CAG is different from the payroll data and reporting CAG.

¹⁴ See Docket No. ACR2017, Library Reference USPS-FY17-37, folder “SASPrograms,” file “ALB106.”

¹⁵ “Number” is obtained using the “heavy/light” weight (IOCS variable F9246) to weight the cost weighting CAG group (IOCS variable F264) of the readings.

¹⁶ See IOCS data dictionary in Docket No. ACR2017, Library Reference USPS-FY17-37, Excel file “IOCSDataDictionaryFY17.xlsx,” IOCS variable “Q14”=“2” (city carriers).

- f. Please confirm that the FY 2018, Quarter One current methodology SAS data are weighted to account for realigned CAG offices.¹⁷ If not confirmed, please provide the FY 2018, Quarter One SAS data weighted to account for realigned offices (comparable to the FY 2017, Quarter Four data).
 - g. Under the current methodology, please explain which offices are realigned and how the Postal Service applies weights to the readings to account for offices that have been moved from one CAG-group to another.
 - h. Please explain whether and how the Proposal Two methodology takes into account year-to-year changes in office CAG-group changes.
8. Do the proposed office changes in Docket No. RM2018-10 have any impact on how offices are realigned under the current city carrier methodology?¹⁸ If so, please explain completely how. If not, please explain the reason(s) why not.
9. In Docket No. RM2017-9, the Commission noted the seemingly much higher cost per hour (given the relatively lower number of city carrier hours provided) for city carriers in CAG B offices as compared to CAG A offices. See Order No. 4399 at 16. Please explain the reason(s) for the higher city carrier cost costs per hour in the CAG B TACS workhours data provided in that docket.¹⁹
10. In a previous IOCS cluster sample design docket, Proposal Three, the Postal Service states that “[d]ata collectors sample all SPR carriers in the facility where they are conducting an IOCS-Cluster test. This includes SPR carriers working

¹⁷ Library Reference USPS-RM2018-5/2, June 29, 2018, SAS data “NCprcpub18Q1Prop5.sas7bdatt.”

¹⁸ Docket No. RM2018-10, Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Seven), June 29, 2018.

¹⁹ See Docket No. RM2017-9, Library Reference PRC-LR-RM2017-9/1, February 6, 2018, Excel file “newchir.2.q.12.cags.attach elim zerocellsPRC_RM2017-9.xlsx,” tabs “CAG A” and “CAG B,” cells “H20” and “H21.”

outside of the tested zone, which can occur when the facility is responsible for multiple zones.”²⁰ It had also proposed that it would sample all carriers in the facility who have clocked in as supervisors. Docket No. RM2016-11, Petition at 14.

- a. Please describe and explain the reason(s) for any differences in the methodology for identifying and sampling SPR carriers under the Proposal Two methodology.
 - b. Please describe how SPR carriers whose routes may cover multiple zones would be selected and which test zone they would be coded for under the Proposal Two methodology.
 - c. Please describe and explain the reason(s) for any differences in the methodology for identifying and sampling carriers who have clocked in as supervisors under the Proposal Two methodology.
11. Under the current methodology, the Postal Service over-samples to account for differences in pay locations.²¹
- a. Please identify all pay locations that are over-sampled.
 - b. Please explain how over-sampling adjusts costs to account for locality pay differences in calculating the overall totals.
 - c. Please specify how the Proposal Two methodology accounts for locality pay differences. If it does not, please explain the reason(s) it is not needed.

²⁰ Docket No. RM2016-11, Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Three), August 22, 2016, at 10 (Docket No. RM2016-11 Petition).

²¹ See Docket No. ACR2017, Library Reference USPS-FY17-37, file “USPS-FY17-37.pdf,” at 7 n.2.

12. In its Responses to CHIR No. 2, the Postal Service states that “[i]f Proposal Two is accepted, CS06&7 will then include Sunday and holiday costs for city carriers” as “the costs above and beyond the national volume-variable costs are [] not included within CS06&7.” Responses to CHIR No. 2, question 4.a. Under the current methodology, the IOCS estimates total accrued city carrier and supervisor costs including those costs incurred on Sunday and Holidays and conducts IOCS readings on holidays and Sundays.²² As a result, the workbooks in cost segments six and seven (CS06&7) appear to include Sundays and holiday costs (and include costs other than volume variable given the IOCS activity coded) for city carriers.”²³
- a. Please reconcile or clarify the type and amount of “costs above and beyond the national volume-variable costs” referred to above.
 - b. Please specify whether the Postal Service believes Sunday and Holiday city carrier and supervisor IOCS-estimated costs are accurate. If so, please explain how. If not, please explain the reason(s) why not.
13. The Postal Service states that “[w]ith the introduction of a Sunday/holiday component of NSAs, costs were incurred that were not included with the existing CRA process” and “[t]herefore, under current procedures, there is an adjustment to the final CRA that transfers from institutional costs an amount that ensures that final attributable product costs include those NSA-related Sunday-specific

²² The cost weight associated with the sampled employee reading is constructed such that the weighted sums of the IOCS readings produce cost estimates consistent with trial balance accrued costs by quarter, *i.e.*, the sum of the FY 2017 city carrier cost weighted IOCS readings equals the sum of total FY 2017 city carrier accrued costs shown in Docket No. ACR2017, December 29, 2017, Library Reference USPS-FY17-5, Excel file “FY17.5.RealTB_2017 Redacted Public.xlsm,” tab “seg6&7,” cell K70. A check of the FY 2017 test dates (IOCS variable Q02B) and day of the IOCS readings coded as Sunday (IOCS variable F18=“2”) include holiday dates and Sundays in the Docket No. ACR2017, Library Reference USPS-FY17-37, folder “Data,” SAS data set “prcpub17.sas7bdat.” See Docket No. ACR2017, Library Reference USPS-FY17-37, PDF file “USPS-FY17-37.Preface.pdf,” section “Cost Estimation,” at 6.

²³ See Docket No. ACR2017, Library Reference USPS-FY17-32, December 29, 2017, Excel file “CS06&7-Public-FY17.xlsx.”

costs that are not otherwise included within CS06&07.” Responses to CHIR No. 2, question 4.a. In Docket No. ACR2017, Library Reference USPS-FY17-31, the “D” report shows a column labeled “Final Adjustments.”²⁴

- a. Please show the amount of the NSA-related Sunday-specific cost for each product adjusted in Docket No. ACR2017 (including the competitive products detail).
 - b. Please provide the data source(s) and workpapers that show how the institutional cost for Docket No. ACR2017 NSA-related Sunday-specific cost was estimated or derived for each product adjusted. If not evident in the workpapers submitted with the response, please provide the reference material(s) for the methodology selected.
14. Under the Proposal Two methodology, city carrier supervisor costs are estimated to be 9.1 percent higher.²⁵
- a. Please explain and show how each of the cluster methodology estimates in this workbook were derived.
 - b. Please provide the CVs for the city carrier supervisor cost estimates under Proposal Two.
 - c. Under the current methodology, CAG-group B offices have the highest total number of city carrier supervisor readings and total costs followed in descending order by CAG-groups A, C, E, D, F, G, and H offices. However, under the Proposal Two methodology, there do not appear to be any morning city carrier supervisor readings conducted in CAG-group B offices and CAG-group D offices appear to have the highest number of

²⁴ The “D” report non-public detail for competitive products is in Docket No. ACR2017, Library Reference USPS-FY17-NP13, December 29, 2017.

²⁵ See Library Reference USPS-RM2018-5/1, May 25, 2018, ZIP file “USPS-RM2018-5_1_Public Material_Proposal Two_Revised 6-8-2018.zip,” ZIP file “Prop.2.IOCS.Clstr.Public.Rev.6.8.18.zip,” folders “Public,” “Workbooks,” Excel file “SupervisorCostImpact.xls.”

readings and costs. Please explain the reason(s) for these differences under the Proposal Two methodology.

- d. Under the current methodology, most of the city carrier supervisors are designated as a Supervisor in the “payroll data.”²⁶ Under the Proposal Two methodology, most have a roster designation of “City Carrier.” Please explain the reason(s) why the “payroll data” under the current methodology would differ from the “roster designation” under the Proposal Two methodology.
15. Please see Attachment, filed under seal.
16. Please see Attachment, filed under seal.
17. Please see Attachment, filed under seal.

By the Chairman.

Robert G. Taub

²⁶ See Docket No. ACR2017, Library Reference USPS-FY17-37, Excel file “IOCSDataDictionaryFY17.xls.”